Shipping Finance Development of Leading Chinese Leasing Companies

By Bank of Communications Financial Leasing

22 Feb 2019
Agenda

- Brief introduction of Leading Chinese Leasing Companies
- Rapid Development of Chinese Shipping Leasing
- Outlook of Chinese Leasing Companies
- Role of Chinese Financial Leasing in Shipping
1.1 History of Chinese Leasing Companies

➢ Year 2007, the first 5 Financial Leasing companies established in China, all with bank background.

➢ Year 2018, the figure for Financial Leasing Company is 69.

➢ 8 financial leasing companies assets over 100 bn RMB.
1.2 Sustainable growth with a progressive momentum

**Total assets**

- 2008: 2,008 (RMBm)
- 2009: 7,865 (RMBm)
- 2010: 15,291 (RMBm)
- 2011: 30,757 (RMBm)
- 2012: 46,721 (RMBm)
- 2013: 70,795 (RMBm)
- 2014: 91,196 (RMBm)
- 2015: 113,842 (RMBm)
- 2016: 144,383 (RMBm)
- 2017: 179,761 (RMBm)
- 2018: 207,243 (RMBm)

2007-2018 CAGR: 54%

**Leased assets**

- 2007: 126 (RMBm)
- 2008: 7,781 (RMBm)
- 2009: 15,285 (RMBm)
- 2010: 30,042 (RMBm)
- 2011: 44,927 (RMBm)
- 2012: 69,408 (RMBm)
- 2013: 89,144 (RMBm)
- 2014: 110,501 (RMBm)
- 2015: 139,591 (RMBm)
- 2016: 166,061 (RMBm)
- 2017: 200,002 (RMBm)
- 2018: 220,407 (RMBm)

2007-2018 CAGR: 97.2%

Fast growing asset scale of Bocomm Leasing
Bocomm Leasing is in the top rank by major indicators

<table>
<thead>
<tr>
<th>Wholly-owned subsidiary of Bank of Communications</th>
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<td>Incorporated since December 2007</td>
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<td>Among the first batch of five pilot financial leasing companies in China</td>
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<td>Registered capital amounting to RMB8.5bn</td>
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Ranking top among the financial leasing industry in terms of main metrics\(^1,^2\)

- **Total assets**  RMB231.7 bn  **No. 2**
- **Leased assets**  RMB220.4 bn  **No. 2**
- **Operating lease assets**  RMB104.5 bn  **No. 2**
- **NPA ratio**  0.66%  **No. 1**

Note: 1. source as of Dec 2018
2. The industry universe consists of eight Chinese financial leasing companies with total assets over RMB100bn as of Dec 2018
Preferable industries for financial leasing companies

- Aviation
- Shipping
- Automobile
- Infrastructure
- Medical, Manufacture Equipment
5. Key focus for growth

- **Shipping**
  - With 189 aircrafts and 2 managed aircrafts, BoComm Leasing ranked **Top 3** in domestic industry
  - The balance of operating lease assets accounts for **c.91%**, among the highest in domestic industry
  - 53 clients across **20** countries and regions

- **Aviation**
  - Key focus for growth
  - 380+ vessels under management, including container liners, chemical tankers, oil tankers, LNG carriers, bulk carriers, cruise ships, RoPax, etc.
  - Rank **#2** in shipping leasing business of container liners globally. Client base covers **top five** global container shipping companies
  - Set up offshore business platform in Germany to focus on exploration of international markets
  - Clients are mostly large SOEs and top global shipping companies with long operating history

- **Public infrastructure**
  - **Industry:** water supply, gas supply, sewage treatment, public transportation, culture and tourism, etc.
  - Communicate and cooperate with companies in water supply, public transportation, gas supply, heating supply, and rail transit sectors in large provincial capitals and major tier one and tier two cities
  - **Clients:** sizeable professional infrastructure enterprises such as CRECG, CCC, Shanghai Metro, Nanjing Metro, Shaanxi Water Group, Beijing OriginWater Technology, Taiyuan Heating Power Co., Shenzhen Bus Group, Tianjin Binda Gas Enterprises Company, etc.

- **Energy equipment**
  - **Industry:** coal, electricity, oil and gas as four pillars, supplemented by other new energy industries
  - Raise entry threshold in traditional energy industries and strengthen support to new energy industries and industrial upgrading; Support domestic and foreign projects that fit national industrial policy and economic transformation and upgrading principle
  - **Clients:** CNCG, Datong Coal Mine Group, China Guodian Corporation, China Huadian Corporation, CNOOC and other large state-owned energy companies

- **Machinery equipment**
  - **Industry:** engineering machineries, heavy trucks, buses, agricultural machineries, and large complete set equipment
  - Industry leading in terms of product diversification, sector coverage, and number of cooperative manufacturers
  - **Clients:** XCMG, FAW Jiefang, Sinotruk, Shenyang Machine Tool, Zoomlion, Sany, and other leading companies in the industry
  - Support growth of micro and small enterprises, and develop a variety of wholesale and retail products regarding sublease, direct lease, and joint lease, providing efficient channels and financing solutions to micro and small enterprises in the procurement of production materials and carrying out operating activities

- **anyak** key business segments of Bocomm Leasing

$_/€ USD/EUR business segment$

$_¥ RMB business segment$
Agenda

Brief introduction of Leading Chinese Leasing Companies

Rapid Development of Chinese Shipping Leasing

Outlook of Chinese Leasing Companies

Role of Chinese Financial Leasing in Shipping
2.1 Rapid development of shipping finance leasing

Ship Leasing Drawdown from 2016 to 2018 of Chinese Leading Finance Leasing Companies

Data source: SMARINE
Dominate position of the leading companies

Ship Leasing Assets Value of Chinese Leading Finance Leasing Companies

Data source: SMARINE
2.3 Qualified shipping assets

Portfolio by geography
- RoW, 95%
- China, 5%

Portfolio by structure
- Operating lease, 69%
- Finance lease, 31%

Portfolio by vessel type
- Containership: 46%
- Tanker: 27%
- Bulker: 14%
- Gas Carrier: 8%
- RoRo & Passenger: 3%
- Other: 2%

Source: As per 31 December 2018

Bocomm Leasing Fleet
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Role of Chinese Financial Leasing in Shipping
3.1 Diversify channel for access to clients

- Small Size Shipowners
- Top Tier Shipowners
- Medium Size Shipowners

- Brokers
- Cooperative Banks
- Classification Society
- Shipyards

Chinese Financial Leasing Companies
3.2 Global clients network

Bocomm Leasing Shipping Clients Group

40+
Number of clients

380+
Number of vessels
3.3 Efficient and professional team of Bocomm leasing shipping Dept.

A professional and committed team…

…with a demonstrated execution track record

<table>
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<th>Year</th>
<th>Event</th>
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<td>2012</td>
<td>BoCom Financial Leasing Ship Leasing department was established with a team of 11 professionals.</td>
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<td>2013-14</td>
<td>First Chinese Lease Co to execute operating lease financing of container vessels. Signed 20 newbuilding agreements with MSC and CMA CGM, with a combined value of USD 2 billion.</td>
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<tr>
<td>2016</td>
<td>Established Hamburg office and became the first Chinese LeaseCo to establish overseas footprint. First Chinese Lease Co to establish a co-operation with Maersk Line. Signed four Ro-Pax newbuilding contracts with the leading Ro-Pax company Stena Line.</td>
</tr>
<tr>
<td>2017</td>
<td>Signed 32 tanker newbuilding contracts with the world’s largest oil and petroleum products trader Trafigura. Total value amounted to USD 1.35 billion. Awarded «Best Institution for Shipping Finance in 2016» by China Maritime Forum</td>
</tr>
<tr>
<td>2018</td>
<td>Expanding the European office through hire of foreign ship finance professionals</td>
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Source: As per 31 December 2018
3.4 Global operating entities, close to the market

- Hamburg: BoComm Shipping Leasing (Europe) Gmbh
- Dublin: BoComm Aviation Leasing Ireland Company Limited
- Shanghai: Group parent company Specialized subsidiary in Free Trade Zone
- Hong Kong: BoComm Leasing Management Hong Kong Co., Ltd. (Shipping assets holding company/offshore Treasury Center)

1 Shanghai Free Trade Zone Specialized Subsidiary
3 Offshore Marketing Platforms
1 Offshore Treasury Center
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Role of Chinese financial leasing in shipping

Keep the market healthy

• More than 50% is “Sales and Lease back”.

Leasing company is not ship owner

• Financed more than 1,600 vessels, only approximately 30 vessels ordered without Charters

Providing more finance options for the market

• Flexible solutions
• Efficient service
• Competitive terms
Set sail with Bocomm Leasing
Share prosperity

Thank you!